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LETTER DATED 19 NOVEMBER 1998 FROM THE PERMANENT REPRESENTATIVE OF IRAQ TO THE UNITED NATIONS ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

On instructions from my Government I have the honour to transmit to you herewith a letter dated 19 November 1998 from Mr. Mohamed Said Al-Sahaf, Minister for Foreign Affairs of the Republic of Iraq, concerning the request of Iraq for the extension of the enhanced phase IV of the oil-for-food programme by two further months in order to give Iraq sufficient time to export the necessary quantities of oil to fulfil the requirements of the purchase and distribution plan approved by the Secretary-General.

I should be grateful if you would raise this matter at the first consultation meeting of the Secur ty Council and have the present letter and its annex distributed as a document of the Council.

(Signed) Nizar HAMDOON
Ambassador
Permanent Representative

Annex

Letter dated 19 November 1998 from the Minister for Foreign Affairs of Iraq addressed to the President of the Security Council

It is well known that the enhanced phase IV of the purchase and distribution plan that was prepared on the basis of Security Council resolution 1153 (1998) will terminate on 25 November 1998. That resolution, which was adopted by the Security Council on 20 February 1998, specified a financial ceiling in the amount of US$ 5.256 billion on the basis of the recommendation of the Secretary-General of the United Nations to the Security Council contained in his report dated 1 February 1998 (S/1998/90) because the sum of $2 billion originally specified in resolution 986 (1995) as the financial ceiling of the memorandum of understanding was inadequate to meet the actual needs of the Iraqi people based on the reports of the United Nations agencies operating in Iraq.

During the visit to Iraq of Mr. Kofi Annan, Secretary-General of the United Nations, from 21 to 23 February 1998, Mr. Taha Yasin Ramadan, Vice-President of the Republic, when he received the Secretary-General on 23 February 1998, explained the very difficult technical situation faced by the systems for the production, processing and transport of Iraqi oil, the capacity of which was totally incapable of ensuring the large increase in the financial ceiling specified by Security Council resolution 1153 (1998). The absolute maximum financial ceiling that could be achieved under the circumstances was $4 billion.

We spelt out our position in a letter that we sent to the Secretary-General dated 25 February 1998 in which we reported that, in the light of the current capacities of the oil system and the oil prices, which were going down at that time, we would not be able to achieve the financial ceiling of $5.256 billion. We appealed to the Secretary-General to take this matter into account in discussing the draft purchase and distribution plan stating that, if sufficient funds were not allocated expeditiously for the purchase of the spare parts and the equipment needed to repair the oil system and prepare it to operate in such a manner as to ensure adequate capacity to export the necessary quantity of oil to meet the new financial ceiling, in view of the falling oil prices we would be unable to achieve the stated financial ceiling and that the sum might come to between $3 billion and $3.5 billion.

Pursuant to paragraph 12 of Security Council resolution 1153 (1998), a group of oil experts from the company Saybolt Nederland B.V. and the Secretariat of the United Nations inspected the Iraqi oil installations and discussed the schedules prepared by the Ministry of Oil in order to meet the maintenance requirements of the oil system. The Secretary-General transmitted the report of that group to the Security Council by a letter dated 15 April 1998 (S/1998/330). The assessment of the group was that Iraq was unable, under the then current circumstances, to export oil or oil products in quantities sufficient to raise the total amount of $5.256 billion referred to in resolution 1153 (1998).

Accordingly, the Security Council adopted resolution 1175 (1998) dated 19 June 1998 which allocated a sum of $300 million for the purchase of the spare parts and equipment necessary to increase exports of Iraqi oil and oil products

by an amount sufficient to comply with the financial ceiling specified in resolution 1153 (1998).

It is worth mentioning that the group of experts referred to above estimated the actual requirements for the repair and maintenance of the Iraqi oil system at $1.2 billion and that the spare parts and requirements necessary to sustain output and increase it to a reasonable minimum, taking into account the production levels set by the Iraqi Ministry of Oil, were optimistic, even if those requirements were made available on time.

Departments of the Ministry of Oil immediately began to sign contracts for the purchase of spare parts and other equipment in accordance with the itemized list attached to the purchase and distribution plan approved by the Secretary-General on 29 May 1998. More than 450 oil contracts were circulated, of which 324 were submitted to the secretariat of the Security Council Committee established by resolution 661 (1990); the Committee approved only 139 contracts, while the representatives of the United States and the United Kingdom put 96 contracts on hold.

More than five months after the adoption of Security Council resolution 1175 (1998), and after the drafting of the memorandum, not a single spare part has reached Iraq and the enhanced phase IV is about to terminate.

We have explained on numerous occasions to the Secretary-General of the United Nations, the President of the Security Council and the Chairman of the Security Council Committee the deliberate obstruction by the representatives of the United States and the United Kingdom in the Committee which coincided with the continuing fall in the prices of crude oil on the world market; it led to a single inevitable conclusion, which was the reduction in the revenues of Iraq for the enhanced phase IV which, at the end of the phase will, on the most favourable estimate, reach $2.7 billion. We refer in this connection to our letters to the Secretary-General dated 17 August 1998 (S/1998/771), and to the President of the Security Council and the Chairman of the Security Council Committee dated 20 August 1998 (S/1998/782), and to our letter to the Secretary-General and to the Chairman of the Committee dated 6 October 1998 (S/1998/928), and lastly to our letter dated 23 October 1998 (S/1998/996).

Our inability to achieve the financial ceiling of $5.256 billion under the circumstances and difficulties which we have explained in our above-mentioned letters, has meant that we have been unable to export more than $2.7 billion worth of oil for the entire period of phase IV. We note that the United States and the United Kingdom boast from time to time of their feigned commitment to fulfilling the needs of the Iraqi people and increasing the financial resources under the memorandum of understanding, whereas the reality, to which we have referred, confirms beyond any doubt that it is the overt practices of those two States in impeding the approval of contracts for spare parts and necessary equipment for the oil system that have led inevitably to this outcome to which we have been drawing attention from the outset.

For the reasons set out above, the Government of the Republic of Iraq wishes the Security Council to extend the enhanced phase IV for an additional period of two months in order to give Iraq sufficient time to export the

necessary quantities of oil to fulfil the requirements of the purchase and distribution plan approved by the Secretary-General, and, at the same time, to instruct the Security Council Committee to facilitate the processing of contracts for the purchase of humanitarian equipment as well as for the purchase of spare parts and equipment for the repair of the oil system.

I should be grateful if you would raise the subject of this letter at the first consultation meeting of the Security Council and have this letter distributed as a document of the Security Council.

(Signed) Mohamed Said AL-SAHAF
Minister for Foreign Affairs